

*File # 44 # 7000*

*605*

**SECRET**

**MEMORANDUM FOR: Inspector General**

**SUBJECT : Agency-sponsored Insurance Programs**

**REFERENCES : (a) CIA Notice No. [ ] dtd 29 July 54,**  
**Subj: "Employee Services, Insurance**  
**Available to Agency Employees"**

25X1

**(b) Memo dtd 26 April 55 to DD/S fr IG,**  
**same subject**

**(c) Memo dtd 26 May 55 to DD/S fr D/Pers**  
**same subject**

1. Pursuant to your request, a round table discussion relating to the above subject was held in the Office of the Director of Personnel on 24 June 1955. This meeting was attended as previously suggested by personnel representing the various components of the Agency who were concerned with this matter and who also could speak authoritatively for their individual components. An appropriate agenda for this discussion had been arranged prior to this meeting.

2. Item number one (1) of the agenda relating to issuance of identification cards for employees or dependents being admitted to the hospital under the Mutual of Omaha plan was dealt with in the following manner:

Persons entering the hospital under normal conditions will be advised to obtain typical Omaha hospital admittance forms from the Insurance Branch, Insurance and Casualty Division, Office of Personnel. Such forms may not be distributed in advance due to the fact that same are good for a period of seven (7) days only and must, therefore, be issued just prior to entering the hospital. The membership or identification cards will, however, also be made available to all Agency members presently insured under the Mutual of Omaha hospitalization plan through the component or division to

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which such member belongs. It will then be incumbent upon such component or division to make the decision as to what members may be presented with a card and what members, who due to possible security implications, must be denied the privilege of carrying such card. The representatives from the Security Office and FI Cover Division requested that only those employees who might be denied the membership card be brought to their individual attention and that after their concurrence with the decision of the component or division that such membership cards be returned to the Office of Personnel with a memo to be held in the personnel file of the member until such time as he might have received a change of status enabling him to carry such card. It was further agreed that at such time as any employee carrying this membership card might receive an overseas assignment or leave the Agency, this card is to be surrendered in such instances to the Security Office before he is checked out.

3. It was further agreed that the divisions and components be made responsible for informing overseas employees relative to their rights under the Omaha hospitalization contract and it was further suggested by Mr. [ ] of the Security Office that a procedure be devised in order that whenever necessary money be advanced by the overseas station to the member whenever needed for hospitalization purposes, the same is to be repaid such station by GEHA upon presentation of a bill. This latter feature would appear to require the concurrence of the Comptroller, Office of General Counsel and the Office of Personnel.

4. Item number two (2) on the agenda dealt with the issuance of certificates of insurance under master policies in order that both domestic and overseas personnel may hold some evidence of possessing insurance coverage under various types. The distribution of these certificates would be handled generally in the same manner as the distribution of membership cards mentioned above; namely, through the division or component involved. It was again further agreed that whenever, due to security implications, a member was denied the

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right to hold such a certificate in his possession that the same be placed securely in his personnel folder and that he be properly notified through his division channels of such action; or should he prefer, he may place it in a safe deposit box or other safe repository in which he might keep his will and other similar valuable papers.

5. The matter of the availability of the payroll deduction plan for employees on vouchered funds was discussed at some length. The representative from the Office of General Counsel covered this matter in its entirety, making it clear that for many years the Comptroller General of the United States has successfully ruled against the payroll deduction plan being available to any other than Government personnel on unvouchered funds, or to specifically legislated situations such as the purchase of United States Savings Bonds or the recently legislated Federal Employees Group Life Insurance plan, each of which is by law permitted to come under payroll deductions. It was further pointed out that despite the need for payroll deduction plan across the board in this Agency due to our various security implications, it would be impossible to employ the same due to the constant thorough audits being made by the Government Accounting Office of our fiscal and financial operations. It was, of course, pointed out that all members under unvouchered funds, whether overseas or stateside, are automatically eligible for payroll deductions. Unfortunately, however, this applies but to a small segment of our membership.

6. The possibility of activating two (2) or three (3) small branch offices at strategic locations within the Agency was discussed at considerable length. The representative of the Inspector General's office together with representatives of various other offices felt that a tremendous number of man hours were spent annually by several thousand employees who come from many points around the Agency into the cashiers office of the Insurance Branch in Carle Hall for the purpose of making premium payments. The Insurance Office has for sometime urged the GEHA members to transmit premiums by check either to the Insurance Branch [redacted] or through Agency mail in order to avoid wasting man hours by delivering the same in person. Quite frequently members have been sending money in the form of bills and change through Agency mail which is, of course, a dangerous practice and such members have

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been requested to discontinue this practice. It was the consensus of this meeting that it might very well be possible to establish the branches above mentioned so long as limited but adequate space could be provided by the Agency at strategic points for that purpose. It was further felt that such branches could be operated only for possibly a four (4) or five (5) day period during each month during which time all GEHA members within that area would pay their premiums at that point only and that various other suitable procedures be effected in order that the best interest of the members might be adequately served. This, of course, would entail the allocation of additional space as well as personnel to carry out this service.

7. The final item under discussion had to do with the distribution of Master Policy Contracts to all major components or divisions of the Agency in order that members of such components may have such contracts conveniently available in the event they desire to review the same in order to be apprised in detail of the various clauses, extent of coverage, and surgical schedules by which reimbursements for various types of operations are made. It was agreed that all Admin Officers including those in Headquarters, [redacted] and overseas stations be provided with complete copies of essential master policies for such ready reference. This program has already been initiated and will now be further implemented.

L. K. WHITE  
Deputy Director  
(Support)

OP/ICD [redacted]:mkb (29 June 1955)

Originator [redacted]

Distribution:

O & 1-Addressee  
✓2-DD/S  
2-D/Pers  
1-C/ICD

Conc [redacted]

Center, Insurance and  
Casualty Division

Director of Personnel

b2S

MEMORANDUM FOR: Director of Personnel

SUBJECT : Agency-sponsored Insurance Programs

REFERENCE : Proposed Memo to IG from DD/S, same subject

1. The attached correspondence proposed for Colonel White's signature and directed to the Inspector General in reply to his 26 April memorandum on the subject has been reviewed by Colonel White. Some rewriting would appear to be in order.

2. The lead paragraph of the proposed memo to the Inspector General indicates that the Inspector General requested a round-table discussion on the subject. The Inspector General's memo of 26 April noted the need for most serious consideration of problems cited and an offer of participation by his Staff in formulating remedial action. However, it was your suggestion that a round-table discussion be held and Colonel White concurred; Mr. Kirkpatrick has not been involved in this matter subsequent to his 26 April memorandum to the DD/S beyond the probability that Jack Blake reported round table results to him following the meeting which Blake attended at your invitation.

3. In general this proposed DD/S to IG memorandum reads like a detailed report from you to the DD/S on the round-table meeting which you convened and, as such, is quite satisfactory. However, Colonel White would like to have a relatively brief reply written directly to the point of the 26 April Inspector General's memorandum drafted for his signature.

4. In view of the elapsed time since our receipt of the April I.G.'s memorandum, Colonel White would appreciate receiving a redraft of his reply to this memorandum as soon as possible.



Special Assistant to the  
Deputy Director (Support)

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DDS 15 1955

JUN 18 1955

MEMORANDUM FOR: Director of Personnel

SUBJECT : Agency-sponsored Insurance Programs

REFERENCES : (a) CIA Notice No. [ ] dtd 29 Jul 54,  
Subj: "Employee Services, Insurance  
Available to Agency Employees"

25X1

(b) Memo dtd 26 Apr 55 to DD/S fr IG,  
same subject

(c) Memo dtd 26 May 55 to DD/S fr D/Pers,  
same subject

1. I have reviewed your comments regarding the Inspector General's 26 April memorandum, "Agency-sponsored Insurance Programs."

2. Your suggestion that points raised in this memorandum warrant a round-table discussion and action by individuals qualified to speak authoritatively for interested components of the Agency is acceptable to me. I would appreciate it if you would convene and chair such a meeting in the very near future.

3. Please advise me promptly of the actions and conclusions resulting from this meeting. The preparation of an appropriate reply to the Inspector General's 26 April memorandum for my signature is also requested.

*1. Seems to me we should be able to issue some sort of Confidential and copy of the policy to employees within the bounds of security*

*2. Please review with Ben counsel the possibility of pay raise deductions. This would be best possible answer.*

[ ]  
L. K. WHITE  
Deputy Director.  
(Support)

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*3. Please expedite action and complete not later than 1 July - we have told this since 26 April.*

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3. Please advise me promptly of the actions and conclusions resulting from this meeting. The preparation of an appropriate reply to the Inspector General's 26 April memorandum for my signature is also requested.

Note:

The following was added by Colonel White:

1. Seems to me we should be able to issue some sort of credentials and copy of the policy to employees within the bounds of security.

2. Please review with General Counsel the possibility of pay roll deductions. This would be best possible answer.

3. Please expedite action and complete not later than 1 July -  
we have had this since 26 April.

L.K.W.

SIGNED

L. K. WHITE  
Deputy Director  
(Support)

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<b>TRANSMITTAL SLIP</b> <b>JUN 20 1955</b> <small>(Date)</small>		
TO: <u>Director of Personnel</u>		
BUILDING	ROOM NO.	
<u>Curie Hall</u>	<u>243</u>	
REMARKS:		
<p>Harry:</p> <p>We would like to arrange for  <div style="border: 1px solid black; width: 100px; height: 1.2em; display: inline-block;"></div> to sit in on this round  table discussion as an observer.  Will you have him included in the  calling of such a meeting.</p> <div style="border: 1px solid black; width: 100px; height: 30px; margin: 10px auto;"></div>		
cc: Mr. <div style="border: 1px solid black; width: 70px; height: 1.2em; display: inline-block;"></div>		
FROM:		
<u>H. Gates Lloyd, ADD/S</u>		
BUILDING	ROOM NO.	EXTENSION
<u>East</u>	<u>123</u>	<div style="border: 1px solid black; width: 40px; height: 1.2em; display: inline-block;"></div>
FORM NO. 36-8 SEP 1946		

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6-9789

APR 26 1955

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT : Agency-sponsored Insurance Programs

REFERENCE : CIA Notice [redacted] dated 29 July 1954 "Employee Services Insurance Available to Agency Employees" signed by DD/A

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1. During the last few months a considerable number of Agency employees have called to the attention of this staff a sufficient number of substantive deficiencies in the Agency-sponsored insurance programs to warrant your personal attention.
  2. The particular insurance plans concerned are the life insurance plan underwritten by the United Benefit Life Insurance Co. of Omaha, Nebraska, and the health insurance plan underwritten by the Mutual Benefit Health and Accident Association of Omaha, Nebraska, both of which are Agency-administered in the name of the Government Employees Health Association, Inc. (GEHA). The availability of these plans to Agency employees was published in both referenced Notice and by the simultaneous distribution of a brochure entitled Life Insurance and Health Insurance published by the Government Employees Health Association, Inc.
  3. The dissatisfaction with the administration of these programs to date has been concerned primarily with three aspects of the health program. Referenced Notice in paragraph 3a made the following commitment to subscribers to the health insurance plan:

"Suitable credentials will be given to all subscribers as a guarantee for immediate admittance to any hospital. Claim payments up to the full limit of the subscriber's contract are guaranteed to the hospital."

Despite the passage of approximately nine months such "suitable credentials" have not been issued and there exists a difference of opinion between the Offices of Personnel and Security on their issuance. There has been devised a most unsatisfactory procedure whereby a policyholder, prior to the admittance of himself or a dependent to a hospital, may acquire from the Claims and Insurance Branch, Office of Personnel, upon specific request an admittance form which informs the hospital that the individual concerned is protected by a health insurance policy. It is understood that a plan has also been devised whereby an insurance-protected individual, upon being admitted to a hospital, may state he is covered by GEHA insurance and request the hospital authorities to verify this fact by telephoning the Claims and Insurance Branch on a sterile number.

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4. These procedures, in the opinion of this staff, are entirely unrealistic, are less secure than the issuance of an orthodox identification card and represent a breach of faith on the part of the Agency to its employees. While there are undoubtedly security precautions which must be observed in the issuance of identification cards, it is believed any problems are far from insurmountable. If Agency employees are at liberty to disclose their place of employment to retail credit associations for credit purposes, to commercial lending institutions for enumerable types of loans, it is believed our security will not be significantly lessened by the occasional revelation to the commercial underwriters of certain CIA employees upon whom requests for information may be made by admitting hospitals. It is a matter of economic necessity to many low-graded employees that if at all possible they not have the need to either make sizable deposits or pay full hospital bills when the services of such an institution are necessary. Unrealistic cloak and daggerish procedures for establishing credits with hospitals are both unwise from a security point of view and highly impractical when admittance to a hospital must be made under emergency conditions. While it is realized that discretion must be exercised in issuing identification cards to certain employees of the Clandestine Services this should not be the reason for denying all other employees of the Agency all of the benefits accruing through a health insurance plan.

25X1 5. For reasons we understand to be both security and administrative in nature, employees have not been presented with an actual copy of the health insurance policy which legally establishes their rights and benefits. A so-called "master policy" is on file in the Claims and Insurance Branch at Curie Hall and is available for review by policyholders upon request. It is most unusual for holders of an insurance policy not to have possession of a copy of the contractual agreement with the underwriting company. It would appear in order at the very least that copies of this master policy be reproduced and put on file in every branch unit of organization in the Agency where it would be available for review by employees. Such a copy, sterilized if necessary, should be dispatched to every [ ] field installation. A notice to all employees should be disseminated informing them where this policy might be scrutinized by them.

25X1 25X1 6. Under the present GSHA administrative arrangements, policyholders who are employed in Washington may make their monthly premium payment only at the Office of the Claims and Insurance Branch, Room 144, Curie Hall. We are informed that there are now approximately [ ] policyholders. Based on the percentage of staff employees located in Washington and at other locations, this would indicate that there are approximately [ ] policyholders locally employed. The 25X1 loss of productive manpower per month by having employees or a representative of any group of employees from [ ] buildings go once a month to Curie Hall to make insurance payments is a highly questionable procedure. We understand that studies are presently underway to see whether procedures may be established which would allow employees to send premium payments to Curie Hall through the Agency's courier system. While this may represent some degree of progress, it would appear that a more desirable goal would be the establishment of a short collection period, say two days a month, in each of the major buildings occupied by the Agency, during which period a representative of the Insurance and Claims Branch would accept premium payments.

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7. There is attached for your information a memorandum presented to an officer of this staff upon a recent visit to the [ ] Mission. It raises certain problems in connection with the GEHA life insurance programs, certain of which are not unlike those discussed above. While the author may have overstated the case, certain basic questions of policy are raised for which we know as yet no answers.

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8. Considerable publicity accompanied the announcement of the availability of the GEHA insurance plans as representing a tangible benefit accruing to career employees of the Agency. I believe it incumbent upon all of us to do all in our power to insure the satisfactory working of the procedures through which these insurance plans are administered. I believe the matters as presented above deserve the most serious consideration. If the formulation of remedial action can be assisted by participation from this staff, we will be more than happy to cooperate.

9. I will appreciate being advised of what action can be taken to remedy the above weaknesses in our Agency-sponsored insurance programs.

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[ ]  
Lyman B. Kirkpatrick  
Inspector General

Attachment

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Approved For Release 2003/08/13 : CIA-RDP86-00964R000100110046-5

MEMORANDUM

17 February 1955

TO : The Visiting Inspector-General Team

SUBJECT : Life Insurance through GEHA

1. When, in December 1954, we signed a card designating a wish to have GEHA Life Insurance and authorizing KUBARK to deduct payments for this insurance from our salaries we were required to sign the following statement:

" I, for myself, my heirs, executors, administrators, and assigns do hereby release my employer, its agents, officers or employees from any and all claims which may hereafter arise on account of my application for membership in, and insurance with said Company."

2. We receive no receipts for premium payments, or proof that we hold and are paying for a life insurance policy.

3. Although the amount of the benefit for natural death and for accidental death has been changed several times we have never received official notification of this.

4. We have no policy or other certificate which we can give our beneficiaries so that they know

a. that we are insured,

b. how much the benefits are at time of death,

c. where they should apply if they do not receive the proceeds of the policy within a reasonable time after our death.

5. Under the present system we are completely dependent upon the efficiency and honesty of clerical employees of KUBARK to make a claim on behalf of our beneficiaries if we should die. Clerical errors are not unavoidable in the agency. We know examples of persons whose salaries were not paid to allottees for as much as six months, and then only after correspondence asking to have this oversight corrected. We know of cases in which deductions for insurance were made from the salary of the wrong employee. Eight months ago an employee at this base submitted a claim for payment of hospitalization insurance. He has not received that payment nor any acknowledgement that his claim has been received, despite several "tickler" dispatches. This is a case of a person who is alive and within the agency with full knowledge of what section should be handling his problems. These cases are all proof

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enough that human error can and does happen, and in the case of our beneficiaries, not knowing where to apply to correct such an error, this can mean the difference between payment and non-payment of benefits.

6. The present system of handling GEHA life insurance leaves too much leeway for clerical error and no protection against dishonesty. It puts a penalty on observing security regulations, since the only way an employee can prepare his beneficiary is to identify to the beneficiary who is employer is.

7. We understand the need for security precautions but we feel that some simple measures could and should be taken to protect both security and the beneficiaries of agency employees, such as:

- a. some kind of certificate proving that the KUBARK employee holds life insurance. This could have an innocuous name (as GEHA is) and should indicate the policy number.
- b. a representative with a cover address and telephone number in Washington to which beneficiaries can apply for benefits or information about the processing of claims.

8. I think that my husband, [REDACTED] and I offer a fairly typical example of what could possibly happen. We both hold GEHA policies, each naming the other as beneficiary. Since we are both serving overseas it could easily happen that we would both die in the same accident, such<sup>as</sup> a plane crash. In this case our parents become the alternate beneficiaries. For security reasons we have not told our parents the name or address of our employer. They know we carry "government insurance." If we should both die they would not know how much they should receive nor to whom they should apply for it. In the happiest of cases KUBARK will notify the insurance company and our parents will receive payments. In the case of a clerical oversight the insurance company would not know of our death and would not pay anything, the policy would lapse for lack of further premium payments. In the case of dishonesty a knowledgeable KUBARK (or ex-KUBARK) employee could offer our parents the service of collecting the insurance for them if they just sign a power-of-attorney statement to him. He could then pay our beneficiaries a small amount of the total benefit and keep the remainder, or could pay our parents the benefit for natural death although he collected the greater amount for accidental death.

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17 February 1955

9. For all these reasons I firmly believe that KUBARK should take steps to correct this unfortunate arrangement for life insurance held by employees, especially those who are serving overseas.



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CONFIDENTIAL

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## ROUTING AND RECORD SHEET

**INSTRUCTIONS:** Officer designations should be used in the "TO" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "TO" column. Each officer should initial (check mark insufficient) before further routing. This Routing and Record Sheet should be returned to Registry.

FROM:

TELEPHONE

NO.

DATE

5/9/55

TO

ROOM  
NO.

DATE

REC'D

FWD'D

OFFICER'S  
INITIALS

TELEPHONE

COMMENTS

1. D of P

9 May ROR

2. Ch ESD

5/9/55 JBR

3. Mr. [redacted]

4. Key - File

5. ODD/S 121

6. Allen [redacted]

7.

8.

9.

10.

11.

12.

13.

14.

15.

1-2 I have not read this. Please expedite a reply to the J.G. & you & [redacted] tell me the story - ROR

2-3

Joe  
Let's get together on this. Priority reply  
JBR

See reply prepared by ESD,  
signed by D/Pers, 5/26/55 -  
filed under D/Pers

<b>TRANSMITTAL .IP</b>		
5 May 1955 (Date)		
TO: Director of Personnel		
BUILDING Curie Hall	ROOM NO. 243	
REMARKS:		
SUBJECT: Attached memorandum to the DD/S from the IG concerning Agency- sponsored insurance programs		
Request your comments at the earliest opportunity on the three principle points raised and preparation of reply for DD/S' signature.		
<div style="text-align: center;"> <i>JTH</i>              DD/S 55-227 P.S. <span style="border: 1px solid black; display: inline-block; width: 50px; height: 20px; vertical-align: middle;"></span> has a copy              of this <i>JTH</i> </div>		
FROM: H. Gates Lloyd, ADD/S		
BUILDING East	ROOM NO. 123	<span style="border: 1px solid black; display: inline-block; width: 50px; height: 20px; vertical-align: middle;"></span>
FORM NO. 36-8 SEP 1946		
16-65268-1 GPO		

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## INSTRUCTIONS TO HOLDERS OF GEHA MEMBERSHIP CARDS

Membership cards, primarily issued for members and families who may need same for hospitalization may be issued to overt personnel only, who may without prejudice, admit ~~SEA~~ *any person* affiliation. No membership cards will be issued to any employee members under any type of cover - whether light or deep. Also, at such time that any overt employee goes under any type of cover, whether light or deep - he is, however, bound to immediately surrender his GEHA membership card.

The attached Identification Card is generally to be used in emergencies when the member does not have the opportunity to pick ~~the hospital~~ up the Hospital Admittance Form from the Insurance Office. The Card is primarily to identify you with the Mutual of Omaha Hospitalization Plan issued to the Government Employees' Health Association. It will be the duty of the employee to turn this Card into their Division Admin Officer or to the Security Office in the event of resigning or leaving the Agency. Employees will at no time contact the underwriter--Mutual of Omaha--for any purpose, as all information is available through the Insurance and Casualty Division. Employees will not use the sterile telephone number given ~~for the use of the~~ the on the back of the Identification Card. This is for/use of hospitals only who may wish to call GEHA for additional information.